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13 **UNITED STATES DISTRICT COURT**  
14 **CENTRAL DISTRICT OF CALIFORNIA**

15 SRINIVASAN VENKATARAMAN,  
16 Individually and On Behalf of All  
17 Others Similarly Situated,

18 Plaintiff,

19 v.

20 KANDI TECHNOLOGIES GROUP,  
21 INC., XIAOMING HU, CHENG  
22 WANG, BING MEI, LIMING CHEN,  
23 JERRY LEWIN, and HENRY YU,

24 Defendants.

Case No.

25 **CLASS ACTION COMPLAINT**  
26 **FOR VIOLATIONS OF THE**  
27 **FEDERAL SECURITIES LAWS**  
28

1 Plaintiff Srinivasan Venkataraman (“Plaintiff”), individually and on behalf of  
2 all others similarly situated, by and through his attorneys, alleges the following upon  
3 information and belief, except as to those allegations concerning Plaintiff, which are  
4 alleged upon personal knowledge. Plaintiff’s information and belief is based upon,  
5 among other things, his counsel’s investigation, which includes without limitation:  
6 (a) review and analysis of regulatory filings made by Kandi Technologies Group, Inc.  
7 (“Kandi” or the “Company”) with the United States (“U.S.”) Securities and Exchange  
8 Commission (“SEC”); (b) review and analysis of press releases and media reports  
9 issued by and disseminated by Kandi; and (c) review of other publicly available  
10 information concerning Kandi.

#### 11 **NATURE OF THE ACTION AND OVERVIEW**

12 1. This is a class action on behalf of persons and entities that purchased or  
13 otherwise acquired Kandi securities between June 10, 2015 and March 13, 2017,  
14 inclusive (the “Class Period”). Plaintiff pursues claims against the Defendants under  
15 the Securities Exchange Act of 1934 (the “Exchange Act”).

16 2. Kandi, through its subsidiaries, designs, produces, manufactures, and  
17 distributes electric vehicles (EVs) products, EV parts, and off-road vehicles in the  
18 People’s Republic of China and internationally.

19 3. Throughout the Class Period, Defendants made materially false and/or  
20 misleading statements, as well as failed to disclose material adverse facts about the  
21 Company’s business, operations, and prospects. Specifically, Defendants failed to  
22 disclose to investors: (1) certain areas in the Company’s previously issued financial  
23 statements for the years ended December 31, 2015 and 2014, and the first three  
24 quarters for the year ended December 31, 2016 required adjustment; (2) in turn, the  
25 Company lacked effective controls over financial reporting; and (3) as a result,  
26 Defendants’ statements about the Company’s business, operations, and prospects,  
27 were materially false and misleading and/or lacked a reasonable basis at all relevant  
28 times.

1           4. As a result of Defendants' wrongful acts and omissions, and the  
2 precipitous decline in the market value of the Company's securities, Plaintiff and  
3 other Class members have suffered significant losses and damages.

4                                   **JURISDICTION AND VENUE**

5           5. The claims asserted herein arise under Sections 10(b) and 20(a) of the  
6 Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated  
7 thereunder by the SEC (17 C.F.R. § 240.10b-5).

8           6. This Court has jurisdiction over the subject matter of this action pursuant  
9 to 28 U.S.C. § 1331 and Section 27 of the Exchange Act (15 U.S.C. § 78aa).

10          7. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b)  
11 and Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)). Substantial acts in  
12 furtherance of the alleged fraud or the effects of the fraud have occurred in this  
13 Judicial District. Many of the acts charged herein, including the dissemination of  
14 materially false and/or misleading information, occurred in substantial part in this  
15 Judicial District.

16          8. In connection with the acts, transactions, and conduct alleged herein,  
17 Defendants directly and indirectly used the means and instrumentalities of interstate  
18 commerce, including the United States mail, interstate telephone communications,  
19 and the facilities of a national securities exchange.

20                                   **PARTIES**

21          9. Plaintiff Srinivasan Venkataraman, as set forth in the accompanying  
22 certification, incorporated by reference herein, purchased Kandi securities during the  
23 Class Period, and suffered damages as a result of the federal securities law violations  
24 and false and/or misleading statements and/or material omissions alleged herein.

25          10. Defendant Kandi is incorporated under the laws of Delaware with its  
26 principal executive offices located in Jinhua, Zhejiang Province, People's Republic of  
27 China. Kandi's common stock trades on the NASDAQ exchange under the symbol  
28 "KNDI."

1           11. Defendant Xiaoming Hu (“Hu”) has been the Company’s Chief  
2 Executive Officer, President and Chairman of the Board throughout the Class Period.

3           12. Defendant Cheng Wang (“Wang”) was the Company’s CFO from May  
4 1, 2015 until his resignation on November 14, 2016.

5           13. Defendant Bing Mei (“Mei”) was the Company’s CFO from November  
6 14, 2016, through the end of the Class Period.

7           14. Defendant Liming Chen (“Chen”) is, and was at all relevant times, a  
8 director of the Company. He has served as a director of Kandi since May 1, 2012, and  
9 currently serves as Chair of the Compensation Committee. Defendant Chen is also a  
10 member of the Audit Committee and the Nominating and Corporate Governance  
11 Committee.

12           15. Defendant Jerry Lewin (“Lewin”) is, and was at all relevant times, a  
13 director of the Company. Defendant Lewin has served on the Board since November  
14 2010, and is a member of the Audit Committee.

15           16. Defendant Henry Yu (“Yu”) is, and was at all relevant times, a director  
16 of the Company. He has served in this role since July 1, 2011. Defendant Yu is  
17 currently the Chair of the Audit Committee, as well as a member of both the  
18 Compensation Committee and the Nominating and Corporate Governance Committee

19           17. Defendants Hu, Wang, Mei, Chen, Lewin, and Yu (collectively the  
20 “Individual Defendants”), because of their positions with the Company, possessed the  
21 power and authority to control the contents of the Company’s reports to the SEC,  
22 press releases and presentations to securities analysts, money and portfolio managers  
23 and institutional investors, *i.e.*, the market. The Individual Defendants were provided  
24 with copies of the Company’s reports and press releases alleged herein to be  
25 misleading prior to, or shortly after, their issuance and had the ability and opportunity  
26 to prevent their issuance or cause them to be corrected. Because of their positions  
27 and access to material non-public information available to them, the Individual  
28 Defendants knew that the adverse facts specified herein had not been disclosed to,

1 and were being concealed from, the public, and that the positive representations which  
 2 were being made were then materially false and/or misleading. The Individual  
 3 Defendants are liable for the false statements pleaded herein.

#### 4 **SUBSTANTIVE ALLEGATIONS**

##### 5 **Background**

6 18. Kandi, through its subsidiaries, designs, produces, manufactures, and  
 7 distributes electric vehicles (EVs) products, EV parts, and off-road vehicles in the  
 8 People's Republic of China and internationally.

##### 9 **Materially False and Misleading** 10 **Statements Issued During the Class Period**

11 19. On March 16, 2015, the Company filed a Form 10-K for the fiscal year  
 12 ended December 31, 2014 (the "2014 10-K") with the SEC. The 2014 10-K was  
 13 signed by Defendant Hu. Attached to the 2014 10-K was a certification pursuant to  
 14 the Sarbanes Oxley Act of 2002 ("SOX") signed by Defendant Hu attesting to the  
 15 accuracy of the financial statements, the disclosure of any material changes to the  
 16 Company's internal control over financial reporting and the disclosure of all fraud.

17 20. Defendants represented in the 2014 10-K the Company's internal  
 18 controls over financial reporting, stating in relevant part:

19 Management conducted an assessment of the effectiveness of our system  
 20 of internal control over financial reporting as of December 31, 2014, the  
 21 last day of our fiscal year. This assessment was based on criteria  
 22 established in the framework Internal Control—Integrated Framework  
 23 (2013), issued by the Committee of Sponsoring Organizations of the  
 24 Treadway Commission ("COSO") and included an evaluation of  
 25 elements such as the design and operating effectiveness of key financial  
 26 reporting controls, process documentation, accounting policies, and our  
 overall control environment. ***Based on management's evaluation under  
 the 2013 COSO framework, management concluded that the  
 Company's internal controls over financial reporting were effective as  
 of December 31, 2014.***

27 (Emphasis added).  
 28

21. As to related-party transactions, Defendants represented in the 2014 10-K that:

*Other than as set forth below, for fiscal years ended December 31, 2014 and 2013, the Company was not involved in any related party transactions.*

[...]

*During fiscal year ended December 31, 2014, 2013 and 2012, the Company sold products to Kandi USA Inc. carrying trade name of Eliteway Motorsports (“Eliteway”) amounting to \$2,981,944, \$6,906,807 and \$5,297,548, respectively, and to Zhejiang ZuoZhongYou Electric Vehicle Service Co., Ltd., listed simply as “Service Company”, amounting to*

(Emphasis added).

22. The Class Period begins on June 10, 2015.

23. On August 10, 2015, the Company filed a Form 10-Q quarterly report for the second quarter of 2015 ended June 30, 2015 (the “2Q15 10-Q”) with the SEC. The 2Q15 10-Q was signed by Defendants Hu and Wang. Attached to the 2Q15 10-Q were signed SOX certifications signed by Defendants Hu and Wang attesting to the accuracy of the financial statements, the disclosures of any material changes to the Company’s internal control over financial reporting and the disclosure of all fraud.

24. Defendants represented in the 2Q15 10-Q the Company’s related party transactions, reporting no changes in cashflow attributable to related party transactions.

25. The 2Q15 10-Q discussed the Company’s internal controls over financial reporting, stating in relevant part:

**Changes in Internal Control over Financial Reporting**

There was no change to our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

1        26. On November 9, 2015, the Company filed a Form 10-Q quarterly report  
2 for the third quarter of 2015 ended September 30, 2015 (the “3Q15 10-Q”) with the  
3 SEC. The 3Q15 10-Q was signed by Defendants Hu and Wang. Attached to the 2Q15  
4 10-Q were signed SOX certifications signed by Defendants Hu and Wang attesting to  
5 the accuracy of the financial statements, the disclosures of any material changes to  
6 the Company’s internal control over financial reporting and the disclosure of all fraud.

7        27. Defendants represented in the 3Q15 10-Q the Company’s related party  
8 transactions, reporting no changes in cashflow attributable to related party  
9 transactions.

10        28. The 3Q15 10-Q discussed the Company’s internal controls over financial  
11 reporting, stating in relevant part:

12        **Changes in Internal Control over Financial Reporting**

13        There was no change to our internal control over financial reporting (as  
14 defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that  
15 occurred during the period covered by this report that have materially  
16 affected, or are reasonably likely to materially affect, our internal control  
over financial reporting.

17        29. On March 14, 2016, the Company filed a Form 10-K for the fiscal year  
18 ended December 31, 2015 (the “2015 10-K”) with the SEC. The 2015 10-K was  
19 signed by Defendants Hu and Wang. Attached to the 2015 10-K were signed SOX  
20 certifications signed by Defendants Hu and Wang attesting to the accuracy of the  
21 financial statements, the disclosure of any material changes to the Company’s internal  
22 control over financial reporting and the disclosure of all fraud.

23        30. Defendants represented in the 2015 10-K the Company’s internal  
24 controls over financial reporting, stating in relevant part:

25        Management conducted an assessment of the effectiveness of our system  
26 of internal control over financial reporting as of December 31, 2015, the  
27 last day of our fiscal year. This assessment was based on criteria  
28 established in the framework Internal Control—Integrated Framework  
(2013), issued by the Committee of Sponsoring Organizations of the



1 Treadway Commission (“COSO”) and included an evaluation of  
 2 elements such as the design and operating effectiveness of key financial  
 3 reporting controls, process documentation, accounting policies, and our  
 4 overall control environment. ***Based on management's evaluation under  
 the 2013 COSO framework, management concluded that the  
 Company's internal controls over financial reporting were effective as  
 of December 31, 2015.***

6 (Emphasis added).

7  
 8 31. As to related-party transactions, Defendants represented in the 2015 10-  
 9 K that:

10 ***Other than as set forth below, for fiscal years ended December 31, 2015  
 and 2014, the Company was not involved in any related party  
 transactions.***

11 [...]

12 During the fiscal years ended December 31, 2015, 2014 and 2013, the  
 13 Company sold products to Kandi USA Inc., a company that operates  
 14 under the trade name of Eliteway Motorsports (“Eliteway”), amounting  
 15 to \$0, \$2,981,944 and \$6,906,807, respectively.

16 (Emphasis added).

17 32. On May 10, 2016, the Company filed a Form 10-Q for the quarterly  
 18 period ended March 31, 2016 (the “1Q16 10-Q”) with the SEC. The 1Q16 10-Q was  
 19 signed by Defendants Hu and Wang. Attached to the 1Q16 10-Q were signed SOX  
 20 certifications by Defendants Hu and Wang attesting to the accuracy of the financial  
 21 statements, the disclosure of any material changes to the Company’s internal control  
 22 over financial reporting and the disclosure of all fraud.

23 33. The 1Q16 10-Q discussed the Company’s internal controls over financial  
 24 reporting, stating in relevant part:

25 **Changes in Internal Control over Financial Reporting**

26 There was no change to our internal control over financial reporting (as  
 27 defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that  
 28 occurred during the period covered by this report that have materially



1 affected, or are reasonably likely to materially affect, our internal control  
2 over financial reporting.

3 34. On August 9, 2016 the Company filed a Form 10-Q for the quarterly  
4 period ended June 30, 2016 (the “2Q16 10-Q”) with the SEC. The 2Q16 10-Q was  
5 signed by Defendants Hu and Wang. Attached to the 2Q16 10-Q were SOX  
6 certifications signed by Defendants Hu and Wang attesting to the accuracy of the  
7 financial statements, the disclosure of any material changes to the Company’s internal  
8 control over financial reporting and the disclosure of all fraud.

9 35. The 2Q16 10-Q discussed the Company’s internal controls over financial  
10 reporting, stating in relevant part:

11 **Changes in Internal Control over Financial Reporting**

12 There was no change to our internal control over financial reporting (as  
13 defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that  
14 occurred during the period covered by this report that have materially  
15 affected, or are reasonably likely to materially affect, our internal control  
over financial reporting.

16 36. On November 9, 2016 the Company filed a Form 10-Q for the quarterly  
17 period ended September 30, 2016 (the “3Q16 10-Q”) with the SEC. The 3Q16 10-Q  
18 was signed by Defendants Hu and Wang. Attached to the 3Q16 10-Q were SOX  
19 certifications signed by Defendants Hu and Wang attesting to the accuracy of the  
20 financial statements, the disclosure of any material changes to the Company’s internal  
21 control over financial reporting and the disclosure of all fraud.

22 37. The 3Q16 10-Q discussed the Company’s internal controls over financial  
23 reporting, stating in relevant part:

24 **Changes in Internal Control over Financial Reporting**

25 There was no change in our internal control over financial reporting (as  
26 defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that  
27 occurred during the period covered by this report that have materially  
28 affected, or are reasonably likely to materially affect, our internal control  
over financial reporting.

38. The above statements identified in ¶¶ 22-37 were materially false and/or misleading, and failed to disclose material adverse facts about the Company's business, operations, and prospects. Specifically, Defendants failed to disclose to investors: (1) certain areas in the Company's previously issued financial statements for the years ended December 31, 2015 and 2014, and the first three quarters for the year ended December 31, 2016 required adjustment; (2) in turn, the Company lacked effective controls over financial reporting; and (3) as a result, Defendants' statements about the Company's business, operations, and prospects, were materially false and misleading and/or lacked a reasonable basis at all relevant times.

### **The Truth Emerges**

39. On November 14, 2016, the Company announced the abrupt resignation of Defendant Wang as the CFO.

40. On this news, shares of Kandi fell \$0.40 per share, or more than 10% from their previous closing price, to close at \$3.50 per share on November 14, 2016, damaging investors.

41. On March 13, 2017, the Company filed a Form 8-K with the SEC revealing that its previously issued financial statements for the years ended December 31, 2015 and 2014, and the first three quarters for the year ended December 31, 2016 will need to be restated, stating in relevant part:

**Item 4.02 Non-Reliance on Previously Issued Financial Statements or a Related Audit Report or Completed Interim Review.**

(a) During the course of Kandi Technologies Group, Inc.'s (the "Company") preparation of its Annual Report on Form 10-K for the year ended December 31, 2016, and during preparation of responses to comments from the staff of the Securities and Exchange Commission ("SEC"), Division of Corporate Finance, *the Company's management identified certain areas in the Company's previously issued financial statements for the years ended December 31, 2015 and 2014, and the first three quarters for the year ended December 31, 2016 (the "Previously Issued Financial Statements"), that require adjustment as described below and in more detail in the Company's annual report on*

1 ***Form 10-K/A for the fiscal year ended December 31, 2015 (“Form 10-***  
 2 ***K/A”), to be filed with the SEC. As a result, on March 7, 2017, the***  
 3 ***board of directors (the “Board”) of the Company, based on the***  
 4 ***recommendation of the Company’s audit committee, and in***  
 5 ***consultation with management, concluded that the Company’s***  
 6 ***Previously Issued Financial Statements should no longer be relied***  
 7 ***upon. The Company will, in the Form 10-K/A, restate the Previously***  
 8 ***Issued Financial Statements, which restatement will include separate***  
 9 ***audited financial statements for the JV Company (the***  
 10 ***“Restatements”).*** The Restatements will have no effect on the net  
 11 income of the Company as reported in the Previously Issued Financial  
 12 Statements. The Company will endeavor to file its Annual Report on  
 13 Form 10-K for the fiscal year ended December 31, 2016, pursuant to  
 14 SEC’s rules (including timing guidelines), and will file the Form 10-K/A  
 15 as soon as practicably possible.

16 The Restatements will include separate audited financial statements for  
 17 the Company’s equity investment in the JV Company, corrections to the  
 18 classification of notes receivable and notes payable in the Company’s  
 19 statements of cash flow, revisions in the Company’s financial statement  
 20 presentation to separately identify certain related party accounts on the  
 21 face of the Balance Sheets and the Consolidated Statements of Income  
 22 (Loss) and Comprehensive Income (Loss), certain amendments to Note  
 23 20 – Taxes of the Notes to the Company’s Consolidated Financial  
 24 Statements, the adjustment of previously recorded construction-in-  
 25 progress back to prepayment in Note 16 - Construction-in-Progress of  
 26 the Notes to the Company’s Consolidated Financial Statements,  
 27 expansions of two tables of sales to and purchases from the JV Company  
 28 in Note 24 - Summarized Information of Investment in the JV Company  
 of the Notes to the Company’s Consolidated Financial Statements from  
 two years to three years, and the removal of “unaudited” labels from  
 certain tables in Note 20 - Taxes of the Notes to the Company’s  
 Consolidated Financial Statements.

The Company will also amend its unaudited quarterly data for the first  
 three quarters ended December 31, 2016, as set forth in its upcoming  
 Annual Report on Form 10-K for the year ended December 31, 2016.  
 The Company has not filed and does not intend to file amendments to its  
 Quarterly Reports on Form 10-Q for the quarterly periods affected.  
 Accordingly, investors should no longer rely upon the Company’s  
 previously released financial statements for those periods or any earnings

1 releases or other communications relating to those periods. The  
2 Company's Quarterly Reports on Form 10-Q for fiscal year 2017 will  
3 include restated results for the corresponding interim periods of fiscal  
4 year 2016.

5 *In addition, in conjunction with the Restatements, the Company is*  
6 *reassessing its internal controls over its financial reporting and*  
7 *compliance programs. The result of this reassessment could lead the*  
8 *Company to conclude that there were deficiencies in its internal*  
9 *controls over financial reporting that constitute material weaknesses*  
10 *and could therefore affect its conclusions regarding effectiveness as*  
11 *previously expressed in Item 9A, Controls and Procedures, of the*  
12 *Company's Annual Report on Form 10-K for the year ended December*  
13 *31, 2015.* Accordingly, management's report on internal controls over  
14 financial reporting as of December 31, 2015, and the associated report of  
15 AWC (CPA) Limited, the Company's former principal accountant  
16 ("AWC"), should no longer be relied upon. The Public Company  
17 Accounting Oversight Board revoked the registration of AWC on May  
18 18, 2016. The Company dismissed AWC and engaged BDO China Shu  
19 Lun Pan Certified Public Accountants LLP ("BDO China") as its new  
20 independent registered public accounting firm on April 12, 2016, as  
21 previously reported. The Company is committed to maintaining an  
22 effective control environment and making all necessary changes to  
23 enhance control effectiveness.

24 The chair of the Company's audit committee, on behalf of the audit  
25 committee, and the management have discussed the matters disclosed in  
26 this Item 4.02(a) of this Current Report on Form 8-K with BDO China.

27 (Emphasis added).

28 42. On this news, shares of Kandi fell \$0.30 per share, or approximately 6%,  
from its previous closing price to close at \$4.05 per share on March 14, 2017, further  
damaging investors.

43. On March 16, 2017, the Company filed its Form 10-K for fiscal year  
2016 (the "2016 10-K"), restated its 2014 – 3Q 2016 Financials, and admitted that  
there were material weaknesses in the Company's internal controls.

1           44. Kandi conceded in the 2016 10-K that, among other things, it had made  
2 “errors” in the classification of notes receivable and notes payable in its statement of  
3 cash flows, it had failed to separately identify certain related party accounts on the  
4 face of the Company’s balance sheets and income statements, and it had improperly  
5 accounted for the Company’s equity investment in the JV Company.

6           45. While the 2016 10-K also included a purported plan for remediating the  
7 material weaknesses in Kandi’s internal controls, the Company warned that it could  
8 not “provide assurance that we will not fail to achieve and maintain an effective  
9 internal control environment on an ongoing basis, which may cause investors to lose  
10 confidence in our reported financial information and have a material adverse effect  
11 on the price of our common stock.”

12           46. Defendants’ lack of meaningful internal controls resulted in numerous  
13 unreported related party transactions, such as in 2010 when the Company’s auditors  
14 at the time, AWC, discovered that Defendant Hu was holding \$1.6 million of the  
15 Company’s reported year-end cash balance in a personal account. AWC did not take  
16 steps determine why this was so. Nor did AWC explore whether this was a related-  
17 party transaction that needed to be disclosed in the Company’s financial statements.

18           47. On November 2, 2016 the Company disclosed for the first time that it  
19 had engaged in material transactions in 2012 with Kandi USA, owned by Wangyuan  
20 Hu, the son of Defendant Hu, using its trade name, Eliteway. The Company also  
21 disclosed that it had engaged in material transactions in 2013 and 2014 with Kandi  
22 USA, again using the trade name Eliteway. The total amount of the transactions was  
23 identified as \$9,888,751. The Company claimed that all the transactions had been at  
24 arm’s length. Ex. A, at 16.

25           48. The Company also disclosed additional related-party transactions with  
26 the Zhejiang ZuoZhongYou Electric Vehicle Services Co., Ltd. (the “Service  
27 Company”), in which the Company has a 9.5% ownership, resulting in additional  
28 receivables due from the Service Company. As of December 31, 2014, the receivables

1 totaled over \$40 million. As of December 31, 2016, the receivables totaled \$10.4  
2 million. Ex. A, at 16.

3       49. On May 10, 2017, William Hughes, Jr. (“Hughes”), a shareholder of the  
4 Company, through his counsel, initiated a 220 demand on Kandi, pursuant to 8 Del.  
5 C. § 220, for certain books and records of the Company (the “220 Demand”). The 220  
6 Demand sought documents concerning the restatement of the Company’s 2014 – 3Q  
7 2016 Financials, as well as related breaches of fiduciary duties and wrongdoing by  
8 the Company’s management and the board of directors, mismanagement, waste, and  
9 other corporate wrongdoing at the Company. Kandi ultimately refused to produce any  
10 documents in response to Hughes’s 220 Demand, and on October 2, 2017, Hughes  
11 filed in the Delaware Court of Chancery a Verified Complaint Pursuant to 8 Del. C.  
12 Section 220 to Compel Inspection of Books and Records (the “220 Complaint”). *See*  
13 *Hughes v. Kandi Technologies Group, Inc.*, C.A. No. 2017-0700 JTL (Del. Ch.).

14       50. Based on his findings, Hughes filed a complaint against Kandi in the  
15 Court of Chancery of Delaware on February 14, 2019. *See Hughes v. Hu, et al.*, C. A.  
16 No. 2019-0112-JTL. Defendants moved to dismiss the complaint pursuant to Rule  
17 23.1, contending that the Hughes failed to make a demand on the board or plead that  
18 demand would have been futile. The court ruled against the defendants, stating in  
19 relevant part:

20       The plaintiff obtained books and records before filing suit. The fruits of  
21 that investigation—and, just as important, what the Company  
22 conspicuously failed to produce—have enabled the plaintiff to plead a  
23 complaint that supports a reasonable pleading-stage inference of a bad  
24 faith failure of oversight by the named director defendants. Four of the  
25 defendants comprise a majority of the board that would have considered  
26 a demand, and the substantial threat of liability renders them incapable  
27 of disinterestedly considering a demand. Demand would have been  
28 futile, so the Rule 23.1 motion is denied.

27       The defendants also have moved to dismiss the complaint pursuant to  
28 Rule 12(b)(6), contending that the plaintiff failed to state a claim on  
which relief can be granted. Both sides treated the analysis of the Rule



23.1 motion as dispositive of the Rule 12(b)(6) motion. That motion is also denied.

51. On March 16, 2018, the Company filed a Form 10-K for the fiscal year ended December 31, 2017 (the “2017 10-K”) with the SEC confirming that its internal controls over financial reporting (“ICFR”) were not effective as of December 31, 2017, stating in relevant part:

Management conducted an assessment of the effectiveness of our system of ICFR as of December 31, 2017, the last day of our fiscal year of 2017. This assessment was based on criteria established in Internal Control—Integrated Framework, issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in 2013 (the “2013 COSO Framework”) and included an evaluation of elements such as the design and operating effectiveness of key financial reporting controls, process documentation, accounting policies, and our overall control environment. *Based on management’s evaluation under the 2013 COSO framework, management concluded that the Company’s internal controls over financial reporting were not effective as of December 31, 2017. Certain control deficiencies existed in the internal control over financial reporting as of December 31, 2017, including lack of adequate knowledge of US GAAP and SEC rules and inaccurate accounting for income taxes. These material weaknesses existed as of December 31, 2015 and had not yet been fully remediated as of December 31, 2017.*

(Emphasis added).

52. As a result of Defendants’ wrongful acts and omissions, and the precipitous decline in the market value of the Company’s securities, Plaintiff and other Class members have suffered significant losses and damages.

### **CLASS ACTION ALLEGATIONS**

53. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all persons and entities that purchased or otherwise acquired Kandi securities during the Class Period and who were damaged thereby (the “Class”). Excluded from the Class are



1 Defendants, the officers and directors of the Company, at all relevant times, members  
2 of their immediate families and their legal representatives, heirs, successors, or  
3 assigns, and any entity in which Defendants have or had a controlling interest.

4       54. The members of the Class are so numerous that joinder of all members  
5 is impracticable. Throughout the Class Period, Kandi's common shares actively  
6 traded on the NASDAQ. While the exact number of Class members is unknown to  
7 Plaintiff at this time and can only be ascertained through appropriate discovery,  
8 Plaintiff believes that there are at least hundreds or thousands of members in the  
9 proposed Class. Millions of Kandi common stock were traded publicly during the  
10 Class Period on the NASDAQ. Record owners and other members of the Class may  
11 be identified from records maintained by Kandi or its transfer agent and may be  
12 notified of the pendency of this action by mail, using the form of notice similar to that  
13 customarily used in securities class actions.

14       55. Plaintiff's claims are typical of the claims of the members of the Class  
15 as all members of the Class are similarly affected by Defendants' wrongful conduct  
16 in violation of federal law that is complained of herein.

17       56. Plaintiff will fairly and adequately protect the interests of the members  
18 of the Class and has retained counsel competent and experienced in class and  
19 securities litigation.

20       57. Common questions of law and fact exist as to all members of the Class  
21 and predominate over any questions solely affecting individual members of the Class.  
22 Among the questions of law and fact common to the Class are:

23               (a) whether the federal securities laws were violated by Defendants'  
24 acts as alleged herein;

25               (b) whether statements made by Defendants to the investing public  
26 during the Class Period omitted and/or misrepresented material facts about the  
27 business, operations, and prospects of Kandi; and  
28

1 (c) to what extent the members of the Class have sustained damages  
2 and the proper measure of damages.

3 58. A class action is superior to all other available methods for the fair and  
4 efficient adjudication of this controversy since joinder of all members is  
5 impracticable. Furthermore, as the damages suffered by individual Class members  
6 may be relatively small, the expense and burden of individual litigation makes it  
7 impossible for members of the Class to individually redress the wrongs done to them.  
8 There will be no difficulty in the management of this action as a class action.

9 **UNDISCLOSED ADVERSE FACTS**

10 59. The market for Kandi's securities was open, well-developed and  
11 efficient at all relevant times. As a result of these materially false and/or misleading  
12 statements, and/or failures to disclose, Kandi's securities traded at artificially inflated  
13 prices during the Class Period. Plaintiff and other members of the Class purchased or  
14 otherwise acquired Kandi's securities relying upon the integrity of the market price  
15 of the Company's securities and market information relating to Kandi, and have been  
16 damaged thereby.

17 60. During the Class Period, Defendants materially misled the investing  
18 public, thereby inflating the price of Kandi's securities, by publicly issuing false  
19 and/or misleading statements and/or omitting to disclose material facts necessary to  
20 make Defendants' statements, as set forth herein, not false and/or misleading. The  
21 statements and omissions were materially false and/or misleading because they failed  
22 to disclose material adverse information and/or misrepresented the truth about  
23 Kandi's business, operations, and prospects as alleged herein.

24 61. At all relevant times, the material misrepresentations and omissions  
25 particularized in this Complaint directly or proximately caused or were a substantial  
26 contributing cause of the damages sustained by Plaintiff and other members of the  
27 Class. As described herein, during the Class Period, Defendants made or caused to  
28 be made a series of materially false and/or misleading statements about Kandi's

1 financial well-being and prospects. These material misstatements and/or omissions  
2 had the cause and effect of creating in the market an unrealistically positive  
3 assessment of the Company and its financial well-being and prospects, thus causing  
4 the Company's securities to be overvalued and artificially inflated at all relevant  
5 times. Defendants' materially false and/or misleading statements during the Class  
6 Period resulted in Plaintiff and other members of the Class purchasing the Company's  
7 securities at artificially inflated prices, thus causing the damages complained of herein  
8 when the truth was revealed.

### 9 **LOSS CAUSATION**

10 62. Defendants' wrongful conduct, as alleged herein, directly and  
11 proximately caused the economic loss suffered by Plaintiff and the Class.

12 63. During the Class Period, Plaintiff and the Class purchased Kandi's  
13 securities at artificially inflated prices and were damaged thereby. The price of the  
14 Company's securities significantly declined when the misrepresentations made to the  
15 market, and/or the information alleged herein to have been concealed from the market,  
16 and/or the effects thereof, were revealed, causing investors' losses.

### 17 **SCIENTER ALLEGATIONS**

18 64. As alleged herein, Defendants acted with scienter since Defendants knew  
19 that the public documents and statements issued or disseminated in the name of the  
20 Company were materially false and/or misleading; knew that such statements or  
21 documents would be issued or disseminated to the investing public; and knowingly  
22 and substantially participated or acquiesced in the issuance or dissemination of such  
23 statements or documents as primary violations of the federal securities laws. As set  
24 forth elsewhere herein in detail, the Individual Defendants, by virtue of their receipt  
25 of information reflecting the true facts regarding Kandi, their control over, and/or  
26 receipt and/or modification of Kandi's allegedly materially misleading misstatements  
27 and/or their associations with the Company which made them privy to confidential  
28

1 proprietary information concerning Kandi, participated in the fraudulent scheme  
2 alleged herein.

3 **APPLICABILITY OF PRESUMPTION OF RELIANCE**  
4 **(FRAUD-ON-THE-MARKET DOCTRINE)**

5 65. The market for Kandi's securities was open, well-developed and  
6 efficient at all relevant times. As a result of the materially false and/or misleading  
7 statements and/or failures to disclose, Kandi's securities traded at artificially inflated  
8 prices during the Class Period. Plaintiff and other members of the Class purchased or  
9 otherwise acquired the Company's securities relying upon the integrity of the market  
10 price of Kandi's securities and market information relating to Kandi, and have been  
11 damaged thereby.

12 66. During the Class Period, the artificial inflation of Kandi's shares was  
13 caused by the material misrepresentations and/or omissions particularized in this  
14 Complaint causing the damages sustained by Plaintiff and other members of the Class.  
15 As described herein, during the Class Period, Defendants made or caused to be made  
16 a series of materially false and/or misleading statements about Kandi's business,  
17 prospects, and operations. These material misstatements and/or omissions created an  
18 unrealistically positive assessment of Kandi and its business, operations, and  
19 prospects, thus causing the price of the Company's securities to be artificially inflated  
20 at all relevant times, and when disclosed, negatively affected the value of the  
21 Company shares. Defendants' materially false and/or misleading statements during  
22 the Class Period resulted in Plaintiff and other members of the Class purchasing the  
23 Company's securities at such artificially inflated prices, and each of them has been  
24 damaged as a result.

25 67. At all relevant times, the market for Kandi's securities was an efficient  
26 market for the following reasons, among others:

27 (a) Kandi shares met the requirements for listing, and was listed and  
28 actively traded on the NASDAQ, a highly efficient and automated market;

1 (b) As a regulated issuer, Kandi filed periodic public reports with the  
2 SEC and/or the NASDAQ;

3 (c) Kandi regularly communicated with public investors via  
4 established market communication mechanisms, including through regular  
5 dissemination of press releases on the national circuits of major newswire services  
6 and through other wide-ranging public disclosures, such as communications with the  
7 financial press and other similar reporting services; and/or

8 (d) Kandi was followed by securities analysts employed by brokerage  
9 firms who wrote reports about the Company, and these reports were distributed to the  
10 sales force and certain customers of their respective brokerage firms. Each of these  
11 reports was publicly available and entered the public marketplace.

12 68. As a result of the foregoing, the market for Kandi's securities promptly  
13 digested current information regarding Kandi from all publicly available sources and  
14 reflected such information in Kandi's share price. Under these circumstances, all  
15 purchasers of Kandi's securities during the Class Period suffered similar injury  
16 through their purchase of Kandi's securities at artificially inflated prices and a  
17 presumption of reliance applies.

18 69. A Class-wide presumption of reliance is also appropriate in this action  
19 under the Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*,  
20 406 U.S. 128 (1972), because the Class's claims are, in large part, grounded on  
21 Defendants' material misstatements and/or omissions. Because this action involves  
22 Defendants' failure to disclose material adverse information regarding the Company's  
23 business operations and financial prospects—information that Defendants were  
24 obligated to disclose—positive proof of reliance is not a prerequisite to recovery. All  
25 that is necessary is that the facts withheld be material in the sense that a reasonable  
26 investor might have considered them important in making investment decisions.  
27 Given the importance of the Class Period material misstatements and omissions set  
28 forth above, that requirement is satisfied here.

**NO SAFE HARBOR**

70. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Kandi who knew that the statement was false when made.

**FIRST CLAIM**

**Violation of Section 10(b) of The Exchange Act and  
Rule 10b-5 Promulgated Thereunder  
Against All Defendants**

71. Plaintiff repeats and re-alleges each and every allegation contained above as if fully set forth herein.

72. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Kandi’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each defendant, took the actions set forth herein.

1        73. Defendants (i) employed devices, schemes, and artifices to defraud; (ii)  
2 made untrue statements of material fact and/or omitted to state material facts  
3 necessary to make the statements not misleading; and (iii) engaged in acts, practices,  
4 and a course of business which operated as a fraud and deceit upon the purchasers of  
5 the Company's securities in an effort to maintain artificially high market prices for  
6 Kandi's securities in violation of Section 10(b) of the Exchange Act and Rule 10b-5.  
7 All Defendants are sued either as primary participants in the wrongful and illegal  
8 conduct charged herein or as controlling persons as alleged below.

9        74. Defendants, individually and in concert, directly and indirectly, by the  
10 use, means or instrumentalities of interstate commerce and/or of the mails, engaged  
11 and participated in a continuous course of conduct to conceal adverse material  
12 information about Kandi's financial well-being and prospects, as specified herein.

13        75. Defendants employed devices, schemes and artifices to defraud, while in  
14 possession of material adverse non-public information and engaged in acts, practices,  
15 and a course of conduct as alleged herein in an effort to assure investors of Kandi's  
16 value and performance and continued substantial growth, which included the making  
17 of, or the participation in the making of, untrue statements of material facts and/or  
18 omitting to state material facts necessary in order to make the statements made about  
19 Kandi and its business operations and future prospects in light of the circumstances  
20 under which they were made, not misleading, as set forth more particularly herein,  
21 and engaged in transactions, practices and a course of business which operated as a  
22 fraud and deceit upon the purchasers of the Company's securities during the Class  
23 Period.

24        76. Each of the Individual Defendants' primary liability and controlling  
25 person liability arises from the following facts: (i) the Individual Defendants were  
26 high-level executives and/or directors at the Company during the Class Period and  
27 members of the Company's management team or had control thereof; (ii) each of  
28 these defendants, by virtue of their responsibilities and activities as a senior officer



1 and/or director of the Company, was privy to and participated in the creation,  
2 development and reporting of the Company's internal budgets, plans, projections  
3 and/or reports; (iii) each of these defendants enjoyed significant personal contact and  
4 familiarity with the other defendants and was advised of, and had access to, other  
5 members of the Company's management team, internal reports and other data and  
6 information about the Company's finances, operations, and sales at all relevant times;  
7 and (iv) each of these defendants was aware of the Company's dissemination of  
8 information to the investing public which they knew and/or recklessly disregarded  
9 was materially false and misleading.

10       77. Defendants had actual knowledge of the misrepresentations and/or  
11 omissions of material facts set forth herein, or acted with reckless disregard for the  
12 truth in that they failed to ascertain and to disclose such facts, even though such facts  
13 were available to them. Such defendants' material misrepresentations and/or  
14 omissions were done knowingly or recklessly and for the purpose and effect of  
15 concealing Kandi's financial well-being and prospects from the investing public and  
16 supporting the artificially inflated price of its securities. As demonstrated by  
17 Defendants' overstatements and/or misstatements of the Company's business,  
18 operations, financial well-being, and prospects throughout the Class Period,  
19 Defendants, if they did not have actual knowledge of the misrepresentations and/or  
20 omissions alleged, were reckless in failing to obtain such knowledge by deliberately  
21 refraining from taking those steps necessary to discover whether those statements  
22 were false or misleading.

23       78. As a result of the dissemination of the materially false and/or misleading  
24 information and/or failure to disclose material facts, as set forth above, the market  
25 price of Kandi's securities was artificially inflated during the Class Period. In  
26 ignorance of the fact that market prices of the Company's securities were artificially  
27 inflated, and relying directly or indirectly on the false and misleading statements made  
28 by Defendants, or upon the integrity of the market in which the securities trades,

1 and/or in the absence of material adverse information that was known to or recklessly  
 2 disregarded by Defendants, but not disclosed in public statements by Defendants  
 3 during the Class Period, Plaintiff and the other members of the Class acquired Kandi's  
 4 securities during the Class Period at artificially high prices and were damaged thereby.

5 79. At the time of said misrepresentations and/or omissions, Plaintiff and  
 6 other members of the Class were ignorant of their falsity, and believed them to be  
 7 true. Had Plaintiff and the other members of the Class and the marketplace known  
 8 the truth regarding the problems that Kandi was experiencing, which were not  
 9 disclosed by Defendants, Plaintiff and other members of the Class would not have  
 10 purchased or otherwise acquired their Kandi securities, or, if they had acquired such  
 11 securities during the Class Period, they would not have done so at the artificially  
 12 inflated prices which they paid.

13 80. By virtue of the foregoing, Defendants violated Section 10(b) of the  
 14 Exchange Act and Rule 10b-5 promulgated thereunder.

15 81. As a direct and proximate result of Defendants' wrongful conduct,  
 16 Plaintiff and the other members of the Class suffered damages in connection with  
 17 their respective purchases and sales of the Company's securities during the Class  
 18 Period.

## 19 **SECOND CLAIM**

### 20 **Violation of Section 20(a) of The Exchange Act** 21 **Against the Individual Defendants**

22 82. Plaintiff repeats and re-alleges each and every allegation contained  
 23 above as if fully set forth herein.

24 83. Individual Defendants acted as controlling persons of Kandi within the  
 25 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their  
 26 high-level positions and their ownership and contractual rights, participation in,  
 27 and/or awareness of the Company's operations and intimate knowledge of the false  
 28 financial statements filed by the Company with the SEC and disseminated to the

1 investing public, Individual Defendants had the power to influence and control and  
2 did influence and control, directly or indirectly, the decision-making of the Company,  
3 including the content and dissemination of the various statements which Plaintiff  
4 contends are false and misleading. Individual Defendants were provided with or had  
5 unlimited access to copies of the Company's reports, press releases, public filings,  
6 and other statements alleged by Plaintiff to be misleading prior to and/or shortly after  
7 these statements were issued and had the ability to prevent the issuance of the  
8 statements or cause the statements to be corrected.

9       84. In particular, Individual Defendants had direct and supervisory  
10 involvement in the day-to-day operations of the Company and, therefore, had the  
11 power to control or influence the particular transactions giving rise to the securities  
12 violations as alleged herein, and exercised the same.

13       85. As set forth above, Kandi and Individual Defendants each violated  
14 Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint.  
15 By virtue of their position as controlling persons, Individual Defendants are liable  
16 pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of  
17 Defendants' wrongful conduct, Plaintiff and other members of the Class suffered  
18 damages in connection with their purchases of the Company's securities during the  
19 Class Period.

#### 20                                   **PRAYER FOR RELIEF**

21       WHEREFORE, Plaintiff prays for relief and judgment, as follows:

22       a)     Determining that this action is a proper class action under Rule 23 of the  
23 Federal Rules of Civil Procedure;

24       b)     Awarding compensatory damages in favor of Plaintiff and the other  
25 Class members against all defendants, jointly and severally, for all damages sustained  
26 as a result of Defendants' wrongdoing, in an amount to be proven at trial, including  
27 interest thereon;

1 c) Awarding Plaintiff and the Class their reasonable costs and expenses  
2 incurred in this action, including counsel fees and expert fees; and

3 d) Such other and further relief as the Court may deem just and proper.

4 **JURY TRIAL DEMANDED**

5 Plaintiff hereby demands a trial by jury.

6  
7 DATED: June 10, 2020

**GLANCY PRONGAY & MURRAY LLP**

8 By: s/ Robert V. Prongay

9 Lionel Z. Glancy

10 Robert V. Prongay

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16 *Counsel for Plaintiff Srinivasan Venkataraman*  
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**SWORN CERTIFICATION OF PLAINTIFF****KANDI TECHNOLOGIES GROUP, INC. SECURITIES LITIGATION**

I, Srinivasan Venkataraman, certify that:

1. I have reviewed the Complaint and authorize its filing and/or the filing of a Lead Plaintiff motion on my behalf.
2. I did not purchase the Kandi Technologies Group, Inc. securities that are the subject of this action at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions in Kandi Technologies Group, Inc. securities during the Class Period set forth in the Complaint are as follows:  
  
(See attached transactions)
5. I have not sought to serve, nor served, as a representative party on behalf of a class under this title during the last three years, except for the following:
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court, including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

I declare under penalty of perjury that the foregoing are true and correct statements.

6/9/2020

Date

DocuSigned by:

*Srinivasan Venkataraman*

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Srinivasan Venkataraman

**Srinivasan Venkataraman's Transactions in Kandi  
Technologies Group, Inc. (KNDI)**

<b>Date</b>	<b>Transaction Type</b>	<b>Quantity</b>	<b>Unit Price</b>
4/1/2016	Bought	250	\$7.1466
4/29/2016	Bought	200	\$7.1800
9/7/2016	Bought	275	\$6.2500